

# Second-Party Opinions

## ▶ Assessing alignment with industry and MSCI standards for sustainable debt financing

Back in 2014 when the Bloomberg MSCI Global Green Bond Index was launched (then called the Barclays MSCI Global Green Bond Index), the market of self-labeled ESG bonds was small and homogenous with just 49 unique issuers, USD 28.42 billion in total underwriting and 97% of bonds self-labeled as “green.”

Now, it’s a different story.

In 2021, global sales of Green Bonds – the largest category of sustainable debt by dollar volume – hit a record \$513B. 2022 also saw strong performance in this segment, with \$432B in green bonds, \$104B in Social bonds, and \$142B in Sustainability bonds financed despite the global economic downturn. As the market has grown, objectives and definitions of the numerous sustainable investment instruments have also become increasingly complex to navigate. It’s more important than ever to lend credibility and transparency to sustainable debt financing plans with independent, reputable Second-Party Opinions (SPOs).

### How sustainable are green, social, and sustainability debt financing plans - and how to be sure?

Sustainable debt financing provides issuers with capital for projects focusing on environmental impact (Green Bonds & Loans), social impact (Social Bonds & Loans) or a combination of both (Sustainability Bonds & Loans). Issuing sustainable debt also signals a commitment to sustainability.

For investors, it’s a means of advancing social and environmental investment priorities, as well as a way to hedge against climate risk.

That commonly require issuers to:

1. Define the initiatives that will be financed by the green, social, or sustainability debt
2. Define how that performance will be measured & reported



### SPOs built on an industry-leading reputation.

MSCI ESG Research has been assessing green bonds since the launch of the Barclays MSCI Green Bond Index in 2014.

MSCI ESG Research is a leader in the provision of ESG Ratings and other ESG & Climate solutions. Our SPOs can bring additional value to organizations issuing sustainable debt



#### Focus

MSCI ESG Research Second-Party Opinions are prepared by a dedicated team and are reviewed against the **MSCI Labeled Bonds and Loans Assessment Methodology**.



#### Rigor

An important difference between the ICMA principles and MSCI ESG Research’s Labeled Bond & Loan principles is that MSCI ESG Research applies a more stringent evaluation on Principle 1: Use of Proceeds.



#### Expertise

In addition to Second-Party Opinions, MSCI ESG Research offers a range of solutions that evaluate environmental, social and governance factors across different sectors and markets. These include MSCI ESG Ratings, MSCI Climate Change Metrics, MSCI Sustainable Impact Metrics, MSCI Business Involvement Screening Research and MSCI ESG Controversies.

## Our SPO offering includes:

**Framework/Pre-issuance:** a written assessment of an issuer's green, social or sustainability debt financing framework with a 3-year initial term.

**Issuance (framework + issuance):** a written review of an issuer's green, social, or sustainability debt financing framework and issuance

**Annual Review:** post-issuance assessment of whether bond proceeds are being invested in alignment with the framework

### Deliverables:

- Written opinion including analysis of alignment with industry standard and MSCI ESG Research's methodology for the following categories:
  - Use of Proceeds
  - Process for Project Evaluation and Selection
  - Management of Proceeds
  - Ongoing Reporting
- SPO Badge for fully favorable / unqualified opinions.
- ICMA External Review Form, as needed.
- Listing on SPO page, [msci.com](https://www.msci.com), if issuers decide to make the SPO available in the public domain.

## Notes

- SPOs are meant to inform readers whether the financing framework or transaction being assessed aligns with industry standards (where they exist) and / or the MSCI Labeled Bonds and Loans Methodology. They are not designed to verify or certify the use of proceeds for a specific transaction.
- A favorable / unqualified MSCI ESG Research SPO does not guarantee inclusion in any MSCI Index, including joint indexes like the Bloomberg MSCI Green Bond Index
- An issuer's right to use the SPO and SPO Badge in the public domain will expire prior to the end of the Term of the underlying agreement if the issuer modifies the subject framework after the SPO has been published

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